

**TO**

**AND FAMILY**

<b>• V E R Y I M P O R T A N T N O T I C E •</b>
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**CONTINUATION OF STATE UNREIMBURSED MEDICAL  
SPENDING ACCOUNT PARTICIPATION FOR NEW  
ENROLLEES AND THEIR DEPENDENTS**

Dear Employee and Family Members:

**CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985  
(COBRA)**

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 contains a provision pertaining to the continuation of health care benefits for persons enrolled for coverage through an employer group plan. COBRA requires that most employers sponsoring group health plans offer employees and their families the opportunity for a temporary extension of health coverage, called continuation coverage, at group rates plus a small administrative fee, in certain instances where coverage under the plan would otherwise end.

This notice is intended to inform you of the rights and obligations under the continuation coverage provisions of COBRA should you ever lose the coverage provided through the State's Tax\$ave (Section 125) Unreimbursed Medical Spending Account. Please take the time to read this notice carefully.

## **COBRA AND THE STATE'S TAX\$AVE (SECTION 125) UNREIMBURSED MEDICAL SPENDING ACCOUNT PLAN (UMSA)**

1. Employees enrolled in the UMSA may continue their coverage under COBRA if coverage ends because of:
  - reduction in working hours;
  - leave of absence; or
  - termination of employment for reasons other than gross misconduct.
2. Spouses of employees in the UMSA may continue their coverage under COBRA if coverage ends because of:
  - death of the employee;
  - end of the employee's coverage due to a reduction in working hours, leave of absence or termination of employment; or
  - divorce or legal separation from the employee.
3. Dependent children of employees in the UMSA may continue their coverage under COBRA if coverage ends because of:
  - death of the employee;
  - end of the employee's coverage due to a reduction in working hours, leave of absence or termination of employment;
  - divorce or legal separation of the employee and spouse; or
  - loss of dependent child's eligibility through independence (moving out of the household), the attainment of age 23, or marriage.

### **EMPLOYEE RESPONSIBILITY UNDER COBRA**

The employee is responsible for notifying the employer within 60 days of a COBRA qualifying event such as divorce, legal separation or a child losing dependent status. For a child losing coverage because of attaining age 23, the employee has 60 days from the end of the calendar year in which the 23rd birthday occurred to notify the employer of the event. If the employee does not inform the employer of the change in status within the 60 days, the employee may forfeit the dependent's right to COBRA.

### **EMPLOYER RESPONSIBILITY UNDER COBRA**

The employer has the responsibility to inform the UMSA administrator of the employees' death, termination of employment, or reduction in hours.

The employer has the responsibility to notify the employee or the employee's dependents of the right to continue UMSA coverage under the provisions of COBRA. The employer must also send the necessary forms and instructions to continue the coverage. Under COBRA, the employee or the employee's dependents have 60 days from the date of notification to elect continued coverage. To elect continued coverage,

the employee or the employee's dependents must submit a properly completed State UMSA COBRA Election form.

If the employee or the employee's dependents do not choose continuation coverage, UMSA coverage will terminate.

## **NO COBRA COVERAGE IF ENROLLED IN ANOTHER GROUP PLAN**

Since COBRA was designed for people with no other coverage, obtaining coverage under another employer's UMSA plan after election of COBRA coverage makes you ineligible for continuation of benefits under the provisions of COBRA.

## **LENGTH OF YOUR COBRA ENROLLMENT**

The length of your COBRA enrollment depends on the nature of the COBRA qualifying event that entitled you to COBRA.

- For loss of coverage due to termination of employment, reduction of hours or leave of absence, the employee and/or dependents are entitled to 18 months of COBRA coverage. Time on leave of absence just before enrollment in COBRA counts towards the 18-month period and will be subtracted from the 18 months.
- If you receive a Social Security Administration disability determination for an illness you had within 60 days of when you became eligible for COBRA, you are entitled to an extra 11 months of coverage up to a maximum of 29 months of COBRA coverage. You must provide proof of the disability determination from the Social Security Administration before the end of your normal 18 month COBRA term to qualify for the extension.
- For loss of coverage due to the death of the employee, divorce or legal separation, or dependent ineligibility, the continuation term for dependents is 36 months.

## **TERMINATION OF YOUR COBRA COVERAGE**

According to the law, COBRA benefits through the State UMSA Plan may be cut short for any of the following reasons:

1. The employer (or former employer) no longer provides UMSA coverage to any of its employees.
2. The premium for your continuation coverage is not paid.
3. You become covered under another employers UMSA plan as either an employee or dependent.

## **COST OF COBRA CONTINUATION COVERAGE**

You are responsible for paying the cost of continuation coverage, the full amount of your elected contribution plus a 2 percent administrative fee. Under COBRA, these payments are made with after tax dollars.

## **MORE INFORMATION**

If you have any questions about COBRA, please contact your benefits administrator.

# **C O B R A   H I G H L I G H T S**

## **EMPLOYER REQUIREMENTS**

1. Notify all newly hired employees and their dependents of the COBRA provisions by copy of the notification letter mailed to their home. (Accomplished by the UMSA administrator through this letter).
2. Notify the employee, spouse and/or dependents of their rights to purchase continued health coverage within 14 days of receiving notice that there has been a COBRA qualifying event. An election form should be made available with the COBRA Notice that gives the date of termination of coverage and the period of time over which coverage may be extended. The notification must be mailed to the **employee and family** at the home address on file and a record of this notification should be maintained.

## **EMPLOYEE REQUIREMENTS**

1. The employee must notify the employer of a COBRA qualifying event such as divorce, legal separation or dependent child ceasing to be eligible for coverage. This must be done within 60 days of the qualifying event.
2. The employee or eligible individual must notify the administrator of the State's UMSA Plan of their decision to elect continued coverage by filing a COBRA Election Form within 60 days of employer notification and submitting required initial premiums within 45 days of billing.

<p style="text-align: center;"><b>SPECIAL NOTES</b> <b>CONCERNING COBRA</b></p>
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1. If coverage under the plan is modified for group employees, the coverage will also be modified in the same manner for all similarly situated COBRA eligible individuals electing continuation coverage.
2. If a second qualifying event occurs during the 18-month period following the date of employee's termination or reduction in hours, the beneficiary of that second qualifying event will be entitled to 36 months of continuation coverage. The period, however, will be measured from the date of the first qualifying event. As an example, John Smith terminates employment and enrolls in COBRA with husband and wife coverage for an 18-month term. In the tenth month, he dies. Mrs. Smith is now eligible to continue her coverage for a total of 36 months from the first COBRA event leaving her 26 months of remaining eligibility.
3. COBRA continuation will terminate on the date that the enrollee becomes covered, subsequent to the election of COBRA coverage, under any other employer UMSA plan as an employee or dependent.
4. If the employee or spouse declines coverage, the spouse and or individual dependent children may elect it for themselves.
5. COBRA subscribers are permitted to make elections to change plans or alter coverage during the Open Enrollment period through the COBRA Administrator. All COBRA enrollees will receive Open Enrollment information directly to the address on file.